

2011-12 – 1st QUARTER STATUS REPORT – Sr. Investment Officer, Alternative Investments (R. Desrochers)

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Quantitative Performance Measures

Total Fund Performance

| Weight | Performance Measure | Incentive Schedule | 1 st Quarter Status |
|--------|--|---|--------------------------------|
| 40% | Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark | -13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5 | +16 bps {(7.00) – (7.16)} |

AIM Performance

| Weight | Performance Measure | Incentive Schedule | 1 st Quarter Status |
|--------|--|--|--------------------------------|
| 25% | Excess return deviation in basis points relative to: global AIM Performance Benchmark {SJAIM – CPERYCX4} | 0 basis points = 0 +50 basis points = 1.0 +75 basis points = 1.5 | +283 bps {3.65 – 0.82} |

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

AIM Roadmap Priorities

| Weight | Performance Measure |
|---|---|
| 25% | <p>By June 30, 2012, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performances and processes, including:</p> <p><u>Operational Changes</u></p> <ul style="list-style-type: none"> Recognize staff to increase specialization and efficiency. Leverage CalPERS brand to develop co-investment program and managed accounts. <p><u>Rebalance and Restructure Portfolio</u></p> <ul style="list-style-type: none"> Inventory the rights granted through all agreements to determine if they need to be restructured and/or sold opportunistically. |
| <p>1st Quarter Status:</p> <p>Operational changes</p> <ul style="list-style-type: none"> All professional staff have been reassigned to their respective functional area. Job descriptions to match the respective duties of SPM, PM and IO are being rewritten. The co-investment program / process is being reengineered and will be discussed with the CIO in November. <p>Rebalance and restructure portfolio</p> <ul style="list-style-type: none"> Outside experts have been contracted to run a pilot program to review three managers, two fund of funds and one funds (FTI). Scott Jacobsen and Wes Bradle are benchmarking the market to evaluate the best time to go to market for a secondary. Evaluations are being made to manage the balance of the legacy portfolio in a cost effective manner. | |

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Leadership

| Weight | Performance Measure |
|---------------------------------|--|
| 10% | <p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p> |
| 1 st Quarter Status: | <ul style="list-style-type: none"> • • Two IO-II's were recruited. • Process is well underway with Ridgeway search firm to recruit two SPM as we have short listed one SPM for investment • PM, Research recruiting process is underway. • Conduct employees recognition every week at the AIM all staff meeting. • Leads AIM staff in key discussions for 30 minutes every week. • Have held two appreciation meetings for AIM staff. • Participated in two CalPERS appreciation events, including the recent CalPERS Ice Cream Social. |